

Storage, LLC

July 15, 2003

SUBMITTED VIA E-MAIL W/ ATTACHMENTS

Mr. Roosevelt Grant
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Reference: Lodi Gas Storage Project (98-11-012)
Request for Variance
Gas Injection/Withdrawal Wells Variance
Loma D-4A and Loma M-4A

Dear Mr. Grant:

Lodi Gas Storage, LLC (LGS) has, through 18 months of operations at the LGS gas storage facility, determined that a portion of the field contains gas which cannot be accessed at the flow rates originally envisioned and approved in LGS' CPCN (Decision No. D.00-05-048). Recent well logging and additional seismic surveying has verified this determination, resulting in a decision to drill two additional wells.

The CPCN authorizes LGS to construct up to 11 gas injection/withdrawal wells. Those wells were drilled during Phase I construction. Ordering Paragraph 21 of the original Order states that *"if LGS makes any changes to the proposed route or other project components, LGS shall apply to the Executive Director or his designated staff for approval of a variance."* Accordingly, a Variance Request Form for installing the two new wells is attached.

The two wells will be drilled from an existing well site (Well Site #4), with no surface impacts in addition those that occurred previously (subject to applicable conditions and mitigation measures in the CPCN) during the Phase I construction in 2001. The wells will be deviated to sub-surface targets within the reservoir. Please refer to the attached Well Site 4 General Arrangement Drawing.

These wells fall entirely within one parcel of land. LGS has existing landowner agreements for all surface and sub-surface impacts and land rights for this parcel. The landowner has been informed of LGS' plans and has no opposition to any aspect of those plans.

All mitigation measures employed during the initial construction effort (including a hay wall sound barrier) will be used during the drilling and completion of the wells.

Necessary permits (all non-discretionary) will be secured from the California Department of Conservation, Division of Oil, Gas, and Geothermal Resources, in accordance with their regulations.

Time is of the essence in regard to the approval, drilling, and completion of these wells. Well Site #4 is located within a working wine grape vineyard. The 2003 harvest is on schedule to begin in the second half of September. The drilling rig must move on-site at the beginning of August so the work can be complete and the rig off-site prior to the beginning of the harvest. Should the drilling be delayed until after the harvest is complete (mid to late October), the wells would not be installed and hooked-up in time for the winter peaking season. Therefore, we seek approval of the variance by August 1, 2003.

We respectfully request that the CPUC expeditiously issue a variance for the drilling of these wells. If you have any questions, or require additional information, please contact me at the number listed below. Thank you for your consideration.

Regards,



David J. Bergquist, P.E.

Project Manager

Attachments

Cc: Mr. Tom Dill, LGS
Mr. Scott Wilson, LGS
Ms. Ann Trowbridge, Downey Brand
Mr. Paul Clanon, CPUC